



STATE OF TENNESSEE
BUREAU OF TENNCARE
DEPARTMENT OF FINANCE AND ADMINISTRATION
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Policy Clarification Memorandum

TO: MCC CEOs, Medical Directors, UM Managers, and Appeals Coordinators
FROM: Patti Killingsworth, Assistant Commissioner/Chief Administrative Officer
Date: June 13, 2006

The purpose of this memo is to provide further clarification in response to questions regarding coverage of Inpatient Rehabilitation Facility services and other types of rehabilitation services under the TennCare Program.

Inpatient Rehabilitation Facilities (IRFs) are defined in TennCare Rules as “rehabilitation hospitals and distinct parts of hospitals that are designated as ‘IRFs’ by Medicare.” This does **not** include nursing homes whether Level I Intermediate Care Facilities (ICFs) or Level II Skilled Nursing Facilities (SNFs).

- **Inpatient Rehabilitation Facility (IRF) services are covered as medically necessary for children under age 21.**
- **For adults age 21 and older, IRF services are not covered.**

However, an MCO may opt, *at its sole discretion*, to provide IRF services for an adult age 21 and older when the MCO determines it to be a cost-effective alternative to continued acute inpatient hospitalization. If 1) the **MCO determines** that it is **not a cost-effective alternative** to continued acute inpatient hospitalization; 2) the **member is not in an acute hospital setting**; or 3) the **MCO opts not to exercise its discretion to provide as a cost-effective alternative**, IRF services remain not covered for adults age 21 and older under the TennCare Program.

This is **not** a change in coverage policy. Since April 1996, IRF services have been approved by CMS to be provided for adults age 21 and older *only* as a cost-effective alternative to expedite discharge of patients from acute hospital settings.

There are other types of rehabilitation services besides IRF services. These include physical therapy, occupational therapy, and speech therapy provided in settings other than IRFs.

- **Physical, occupational and speech therapy services are covered as medically necessary for children under age 21** when provided by an appropriately licensed therapist. This includes services to **restore, improve, or stabilize impaired functions, or to ameliorate the child’s medical condition.**
- **For adults age 21 and older, physical and occupational therapy services are covered as medically necessary** when provided by an appropriately licensed therapist **to restore, improve, or stabilize impaired functions.**

- **Speech therapy services are covered for adults age 21 and older as medically necessary when provided by a licensed speech therapist to restore speech after a loss or impairment as long as there is continued medical progress.**

Coverage of these *other* types of rehabilitation services in settings other than IRFs (e.g., acute care hospital settings, nursing homes, etc.) is not impacted by the exclusion (i.e., non-coverage) of IRF services for adults age 21 and older under the TennCare Program.

In a Level II (or Skilled Nursing Facility), the cost of OT, PT, and Speech therapy are included in the SNF reimbursement rate. In a Level I (or Intermediate Care Facility), the facility may opt to 1) provide medically necessary therapy services and include on its cost report; or 2) seek approval for the services to be provided separately by Medicare or by the member's MCO. An ICF that is dually certified as a Level II SNF may submit appropriate paperwork to reclassify the member's level of care as Level II or skilled in order to provide such therapy services as part of its reimbursement rate.

If you have any questions, please let me know.

Please ensure that these clarifications are promptly provided to all staff, as appropriate.

Thank you.

Cc: Dr. Wendy Long
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